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SUBJECT: AIG FACING DIFFICULTIES WITH THE BAHRAINI
GOVERNMENT, BUT NOT NOW REQUESTING USG INTERVENTION

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INFORMATION. Please protect accordingly. NOT FOR INTERNET
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1.(SBU) U.S. insurance giant American International Group (AIG) is concerned that Bahrain's draft insurance law, announced yesterday by the Bahrain Monetary Agency (BMA) Governor, could seriously infringe its competitiveness in Bahrain, local AIG Group Manager Ghalib Hammoudi told POL/ECON Chief on January 20. Hammoudi said the law does not authorize the existence of insurance agencies, only brokers and companies. He stated that AIG has submitted to the BMA suggested amendments to the draft law that would authorize insurance agencies, but the BMA has not provided any feedback to the message. AIG has operated successfully in Bahrain as an agency since 1960, when ALICO issued the first insurance policy on the island, Hammoudi proudly related.

2.(SBU) Hammoudi also briefed that in 2003, the BMA refused to allow AIG to activate ALICO's property casualty license on behalf of AIG daughter company American Insurance Underwriters (AIU). Hammoudi said that when AIG protested the BMA's decision, the BMA agreed to reconsider, but it has yet to provide AIG with a response.

3.(SBU) AIG and the GOB have a previous dispute. In 2001, the Government ordered ALICO to pay the 10% company social insurance levy to GOSI, Bahrain's financially troubled social insurance organization, for its commission insurance agents. ALICO sued the government and initially won its case that commission agents are independent businessmen, not employees. However, the government substituted a different judge into the court, and he reversed the previous ruling. At the time, the Embassy offered to intervene, but local ALICO officials never took up the offer. In May 2003, the company paid GOSI USD 1 million to settle accounts, and it is currently paying the social insurance levy for its agents.

4.(SBU) COMMENT: Embassy has requested a copy of the draft insurance law to pass to U.S. FTA Financial Services negotiators. While AIG has requested that we not raise its specific problems in the context of FTA negotiations, there may be enough here to address these issues on behalf of the entire U.S. insurance industry. END COMMENT.
NEUMANN